

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CANNONSBURG WATER)
DISTRICT FOR (1) APPROVAL OF EMERGENCY) CASE NO. 2011-00217
RATE RELIEF AND (2) APPROVAL OF THE)
INCREASE IN NONRECURRING CHARGES)

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

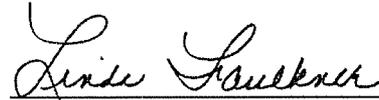
- The digital video recording of the evidentiary hearing conducted on August 16, 2011 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on August 16, 2011 in this proceeding;
- The written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on August 16, 2011.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2011-00217/2011-00217_16Aug11_Inter.aspx. Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2011%20cases/2011-00217/>.

Done at Frankfort, Kentucky, this 22nd day of August 2011.



Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

Carryn Lee
Lee Utility Consulting
900 Argyll Drive
Danville, KENTUCKY 40422

Robert M McGuire
Chairman
Cannonsburg Water District
1606 Cannonsburg Road
P. O. Box 1535
Ashland, KY 41105

Honorable Sharon E Rowsey
Attorney at Law
Wilson, Stavros & Rowsey
P. O. Box 807
1916 Carter Avenue
Ashland, KENTUCKY 41105-0807

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

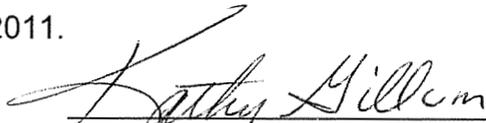
APPLICATION OF CANNONBURG WATER)
DISTRICT FOR (1) APPROVAL OF EMERGENCY) CASE NO. 2011-00217
RATE RELIEF AND (2) APPROVAL OF THE)
INCREASE IN NONRECURRING CHARGES)

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on August 16, 2011;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. The "Exhibit List" attached to this Certificate correctly lists all Exhibits introduced at the hearing of August 16, 2011.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of August 16, 2011 and the time at which each occurred.

Given this 19th day of August, 2011.



Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2011-00217_16Aug11

Case Title: Cannonsburg Water District

Case Type: General Rates

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 8/16/2011

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:11:02 AM	Case Started	
10:11:22 AM	Preliminary Remarks	
10:11:47 AM	Introductions Note: Kathy Gillum	Jim Stavros, counsel for Cannonsburg WD; Gerald Wuetcher and James Wood, staff attorneys for PSC.
10:12:40 AM	Housekeeping Issues Discussed Note: Kathy Gillum	Motion for Emergency Relief
10:13:15 AM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Mr. Wuetcher explains to the Commissioners, the nature of this hearing. Mr. Wuetcher stated that Cannonsburg WD filed a Petition for Rate Adjustment to take effect immediately. There were some deficiencies that needed addressing. After teleconference the deficiencies were cured and a hearing date was secured.
10:15:48 AM	Witness, Danny Clarkston (CWD) Note: Kathy Gillum	Witness explains that they applied for this emergency rate increase because they had more monies going out than coming in.
10:17:29 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding current finances. Witness states that the WD could not meet its expenses in June. Witness states that the expenses have been exceeding revenues for 8 to 10 months. Questions regarding reserve cash funds. Questions regarding annual report. Witness states that they had some KIA money, but KIA took some of the money back. Witness states that the KIA money is not cash. Questions regarding the WD's application (handed to the witness), Exhibit (page 3 of Auditor's Report). Questions regarding loans with Rural Development and Bond Covenants. Questions regarding Bond payments.
10:26:47 AM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Suggests to the Commission that Sharon Hamrick be sworn in so that she and Mr. Clarkston can both answer the questions or refer to each other for the answers to the questions. Note: During the course of this hearing, questions are answered by Danny Clarkston, Sharon Hamrick and Carryn Lee as a panel.

10:26:57 AM	Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong swears in the witness, Sharon Hamrick.
10:27:03 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding duties of the witness as Office Manager. Questions regarding Bond payments. Questions regarding customer billing payments. Questions regarding accounts listed on report. Questions regarding grant funds or other funds not included in the restricted account. Witness states that the Grant from Kentucky Infrastructure Authority was \$400,000.00. (\$150,000.00 and \$250,000.00). Questions regarding Annual Report, Statement of Retained Earnings. Witness states that the KIA grants were restricted and could not be used for operating expenses. Questions regarding net operating loss. Witness states that she has Income Statements for this year (except for January). Mr. Wuetcher asks for witness to read the amounts: Witness states: Feb \$24,339.00 loss; Mar \$43,300.00 loss; Apr \$10,846.00 loss; May \$4,069.00 loss; June \$205.00 profit.
10:27:01 AM	Witness, Sharon Hamrick (CWD) Note: Kathy Gillum	Witness is called to testify.
10:40:59 AM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Mr. Wuetcher asks permission to approach witness. Mr. Wuetcher hands Income Statements to the witness. Questions regarding the Income Statements.
10:42:05 AM	Exhibit, CWD 1 Note: Kathy Gillum	Exhibit introduced by Mr. Wuetcher and marked as Cannonsburg WD Exhibit No. 1. Exhibit: Income Statements Feb through June 2011.
10:42:36 AM	Examination by Gerald Wuetcher (PSC)	
10:44:27 AM	Witness, Carryn Lee (CWD) Note: Kathy Gillum	Witness called to testify by Mr. Wuetcher. Witness sworn.
10:46:46 AM	Data Request by Gerald Wuetcher (PSC) Note: Kathy Gillum	Provide copies of the minutes and the monthly reports that were provided to the Water Commissioners.
10:47:33 AM	Data Request by Gerald Wuetcher (PSC) Note: Kathy Gillum	Provide a copy of the Existing General Ledger 2011
10:48:10 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding the hiring of an additional employee. Questions regarding the gain of additional customers last year. Witness states that there was a reduction of customers. Questions regarding bad debt and write-offs.
10:50:32 AM	Chairman Armstrong Note: Kathy Gillum	Questions regarding shut-off policy.
10:50:50 AM	Witness, Clarkston (CWD) Note: Kathy Gillum	Explains the WD's policy for shut-offs
10:51:37 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding interconnect with the City of Greenup. Questions regarding the reburishing project of the industrial park water tank. Questions regarding the loan against the CD.
10:54:37 AM	Jim Stavros (CWD) presents document Note: Kathy Gillum	Counsel hands a document to Mr. Wuetcher for review. (Promissory Note dated July 20, 2011 in the amount of \$45,250.00)

10:54:45 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding lay-offs of employees. Witness states that next week they would have to lay-off 2 to 3 employees if they do not get the relief. Questions regarding Annual Report, page 58, Water Statistics. Questions regarding purchased water; total water sales; and non-revenue water. Questions regarding items listed as "Other" on the report.
11:08:09 AM	Commissioner Gardner Note: Kathy Gillum	Commissioner Gardner asked if the Greenup sales were included.
11:08:31 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding prosecution for water thief. Questions asked of Ms. Lee regarding limits on line-loss. Questions regarding general age of the water lines. Questions asked of Mr. Clarkston regarding unsold water, meter loss and line-breaks.
11:16:23 AM	Data Requests (PSC) Note: Kathy Gillum	Water Use Reports for first seven months of 2011. Witness states that she has up through May with her. Copies were made and provided to Mr. Wuetcher at the hearing. Mr. Wuetcher introduces as an Exhibit (see below).
11:17:29 AM	Exhibit , CDW 2 Note: Kathy Gillum	Exhibit: Promissory Note dated July 20, 2011 in the amount of \$45,250.00, and marked as Cannonsburg WD Exhibit 2
11:17:38 AM	Exhibit, CDW 3 Note: Kathy Gillum	Exhibit: Water Useage Reports, and marked as Cannonsburg WD Exhibit 3.
11:18:01 AM	Statement by Jim Stavros (CWD) Note: Kathy Gillum	Mr. Stavros states that City of Ashland is going to increase their rates.
11:18:44 AM	Gerald Wuetcher (PSC) Note: Kathy Gillum	If a rate case is still pending, does the WD intend to go ahead and adjust its rates.
11:19:15 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding Attachment No. 4: Wages and Benefits: regarding amount paid for health insurance for the witness, Clarkston. Questions regarding the "boil water advisory".
11:21:41 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding the auditor being from Mt. Sterling instead of Ashland. Witness stated that it was cheaper to use the Mt. Sterling Auditor. Questions regarding unrestricted cash listed on the reports. Questions regarding why the WD did not seek relief from the PSC sooner.
11:27:31 AM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding debt service coverage amount, and if in default. Questions regarding health insurance coverage for the Water Commissioners.
11:30:44 AM	Jim Stavros (CWD) Note: Kathy Gillum	No other questions.
11:30:52 AM	Chairman Armstrong Note: Kathy Gillum	The Commission will notify the Water District of its decision.
11:31:04 AM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Mr. Wuetcher asks the WD when they could provide the responses to Data Requests. Witness, Sharon Hamrick states that they could provide by Friday (8-19-11). Mr. Wuetcher requests of the Commission that an Order be entered from the Bench requiring due date of responses to Data Requests be Friday, 8-19-11.

11:31:50 AM Case Recessed
11:31:46 AM Hearing Adjourned
Note: Kathy Gillum
11:51:58 AM Case Stopped

Chairman Armstrong stated "so Ordered" and adjourned the hearing.



Case Title: Cannonsburg Water District

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
Cannonsburg WD Exhibit 1	Income Statements for February, 2011 through June 2011
Cannonsburg WD Exhibit 2	Promissory Note dated July 20, 2011 in the amount of \$45,250.00
Cannonsburg WD Exhibit 3	Water Useage Reports

Cannonsburg Water District
 Income Statement
 Reporting 2/1/2011 To 2/28/2011

ACCOUNT	INCOME	Period Activity	End Balance
419-000	Interest & Dividend Income	\$51.84	\$136.18
461-100	Metered Sales to Residential	\$168,484.86	\$376,661.04
461-500	Bulk Water Sales	\$202.74	\$202.74
461-600	Fire Sprinkler	\$968.17	\$968.17
465-000	Adjustments Water	\$6,387.57	\$11,617.15
470-000	Water Penalties	\$2,168.45	\$3,975.76
471-000	Miscellaneous Service Revenue	\$368.09	\$566.92
471-200	Connect & Reconnect Charges	\$525.00	\$1,200.00
471-300	Investigation Charge	\$135.00	\$135.00
480-000	Contribution - Tap Fees	\$50.00	\$50.00
	TOTAL INCOME	\$179,341.72	\$395,512.96
	EXPENSES		
403-000	UNEMPLOYMENT TAX	\$0.00	\$82.50
408-120	Employer Tx Fica, Federal	\$1,635.48	\$3,295.24
420-000	Retirement Plan Expenses	\$5,305.26	\$5,305.26
427-300	Interest on Long Term Debt	\$1,425.50	\$2,851.00
603-000	Administrative Salaries	\$2,500.00	\$5,000.00
610-100	Ashland Purchased Water	\$115,044.30	\$115,044.30
610-200	Big Sandy Purchased Water	\$873.03	\$0.00
615-100	Electric Operation	\$168.41	\$311.76
615-200	Purchased Power Office & Shop	\$631.59	\$1,453.77
616-200	Cell Phones	\$0.00	\$509.23
616-300	Pagers & Radio & Monitoring	\$37.05	\$73.46
620-000	Materials and Supplies Operat	\$4,026.57	\$3,863.16
621-000	Office Wages	\$7,139.93	\$14,231.66
631-000	Contractural Ser Engineering	\$1,250.00	\$0.00
635-000	Contractural Ser Other	\$10,400.00	\$14,075.00
640-000	Operational Labor Salary	\$23,400.38	\$47,043.09
650-100	Auto Fuel Expense	\$855.69	\$1,823.31
650-200	Auto Parts, Labor, Repair	\$215.20	\$3,850.43
659-000	Insurance Health	\$17,417.10	\$17,417.10
659-100	Dental Insurance	\$0.00	\$656.91
659-200	Disability Insurance	\$637.62	\$637.62
675-000	Copier Lease Expense	\$347.69	\$347.69
675-500	Miscellaneous - General	\$758.71	\$3,247.94
676-100	Meters, Setters, Boxes, Lids	\$8,700.00	\$8,700.00
676-600	Miscellaneous Operating Expens	\$146.83	\$1,469.11
677-200	Postage Billing	\$765.37	\$1,529.10
	TOTAL EXPENSES	\$203,681.71	\$252,818.64
	TOTAL INCOME	\$179,341.72	\$395,512.96
	TOTAL INCOME LESS EXPENSES	<u><u>-\$24,339.99</u></u>	<u><u>\$142,694.32</u></u>

**Cannonsburg Water District
Income Statement
Reporting 3/1/2011 To 3/31/2011**

ACCOUNT	INCOME	Period Activity	End Balance
419-000	Interest & Dividend Income	\$49 03	\$185 21
461-100	Metered Sales to Residential	\$158,839 99	\$535,501 03
461-500	Bulk Water Sales	\$0 00	\$202 74
461-600	Fire Sprinkler	\$990 06	\$1,958 23
465-000	Adjustments Water	\$5,818 85	\$17,436 00
470-000	Water Penalties	\$1,751 33	\$5,727 09
471-000	Miscellaneous Service Revenue	\$4,671 33	\$5,238 25
471-200	Connect & Reconnect Charges	\$1,105 00	\$2,305 00
471-300	Investigation Charge	\$0 00	\$135 00
480-000	Contribution - Tap Fees	\$4,450 00	\$4,500 00
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	TOTAL INCOME	\$177,675 59	\$573,188 55
	 EXPENSES		
403-000	UNEMPLOYMENT TAX	\$0 00	\$82 50
408-120	Employer Tx Fica, Federal	\$1,726 64	\$5,021 88
420-000	Retirement Plan Expenses	\$5,170 47	\$10,475 73
427-300	Interest on Long Term Debt	\$1,425 50	\$4,276 50
603-000	Administrative Salaries	\$2,500 00	\$7,500 00
610-100	Ashland Purchased Water	\$103,740 62	\$218,784 92
610-200	Big Sandy Purchased Water	\$307 20	\$307 20
615-100	Electric Operation	\$9,132 52	\$9,444 28
615-200	Purchased Power Office & Shop	\$670 99	\$2,124 76
616-200	Cell Phones	\$1,065 93	\$1,575 16
616-300	Pagers & Radio & Monitoring	\$72 82	\$146 28
617-100	Gas - Operation	\$39 70	\$39 70
617-200	Gas Office & Shop	\$377 84	\$377 84
620-000	Materials and Supplies Operat	\$7,988 94	\$11,852 10
621-000	Office Wages	\$10,706 73	\$24,938 39
635-000	Contractural Ser Other	\$0 00	\$14,075 00
640-000	Operational Labor Salary	\$35,801 07	\$82,844 16
650-000	Transportation Expense	\$969 54	\$969 54
650-100	Auto Fuel Expense	\$4,067 16	\$5,890 47
650-200	Auto Parts, Labor, Repair	\$1,724 32	\$5,574 75
659-000	Insurance Health	\$18,719 03	\$36,136 13
659-100	Dental Insurance	\$1,313 82	\$1,970 73
659-200	Disability Insurance	\$1,275 24	\$1,912 86
675-000	Copier Lease Expense	\$347 69	\$695 38
675-500	Miscellaneous - General	\$5,785 06	\$9,033 00
676-100	Meters, Setters, Boxes, Lids	\$1,885 00	\$10,585 00
676-600	Miscellaneous Operating Expens	\$2,867 50	\$4,336 61
676-700	Backhoe Fuel	\$529 72	\$529 72
677-200	Postage Billing	\$765 32	\$2,294 42
		-----	-----
	TOTAL EXPENSES	\$220,976 37	\$473,795 01
		-----	-----
	TOTAL INCOME	\$177,675 59	\$573,188 55
	TOTAL INCOME LESS EXPENSES	-\$43,300 78	\$99,393 54

Cannonsburg Water District
Income Statement
Reporting 4/1/2011 To 4/30/2011

ACCOUNT	INCOME	Period Activity	End Balance
419-000	Interest & Dividend Income	\$35 09	\$220 30
461-100	Metered Sales to Residential	\$154,652 99	\$690,154 02
461-500	Bulk Water Sales	\$0 00	\$202 74
461-600	Fire Sprinkler	-\$25 00	\$1,933 23
465-000	Adjustments Water	\$2,503 34	\$19,939 34
470-000	Water Penalties	\$1,689 10	\$7,416 19
471-000	Miscellaneous Service Revenue	\$774 49	\$6,012 74
471-200	Connect & Reconnect Charges	\$800 00	\$3,105 00
471-300	Investigation Charge	\$0 00	\$135 00
480-000	Contribution - Tap Fees	\$1,150 00	\$5,650 00
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	TOTAL INCOME	\$161,580 01	\$734,768 56
	EXPENSES		
403-000	UNEMPLOYMENT TAX	\$0 00	\$82 50
408-120	Employer Tx Fica, Federal	\$4,995 42	\$10,017 30
420-000	Retirement Plan Expenses	\$7,873 77	\$18,349 50
427-300	Interest on Long Term Debt	\$1,425 50	\$5,702 00
603-000	Administrative Salaries	\$2,500 00	\$10,000 00
610-100	Ashland Purchased Water	\$91,225 72	\$310,010 64
610-200	Big Sandy Purchased Water	\$607 56	\$914 76
615-100	Electric Operation	\$4,013 04	\$13,457 32
615-200	Purchased Power Office & Shop	\$255 98	\$2,380 74
616-200	Cell Phones	\$550 01	\$2,125 17
616-300	Pagers & Radio & Monitoring	\$0 00	\$146 28
617-100	Gas - Operation	\$34 21	\$73 91
617-200	Gas Office & Shop	\$273 41	\$651 25
620-000	Materials and Supplies Operat	\$2,934 30	\$14,786 40
621-000	Office Wages	\$7,075 32	\$32,013 71
632-000	Contractural Ser Accounting	\$4,500 00	\$4,500 00
635-000	Contractural Ser Other	\$0 00	\$14,075 00
640-000	Operational Labor Salary	\$23,811 25	\$106,655 41
650-000	Transportation Expense	\$0 00	\$969 54
650-100	Auto Fuel Expense	\$2,197 20	\$8,087 67
650-200	Auto Parts, Labor, Repair	\$1,054 63	\$6,629 38
659-000	Insurance Health	\$6,038 15	\$42,174 28
659-100	Dental Insurance	\$656 91	\$2,627 64
659-200	Disability Insurance	\$666 52	\$2,579 38
675-000	Copier Lease Expense	\$0 00	\$695 38
675-500	Miscellaneous - General	\$2,833 73	\$11,866 73
676-100	Meters, Setters, Boxes, Lids	\$0 00	\$10,585 00
676-600	Miscellaneous Operating Expens	\$2,798 82	\$7,135 43
676-700	Backhoe Fuel	\$368 22	\$897 94
677-200	Postage Billing	\$783 28	\$3,077 70
678-000	Water Testing	\$2,040 00	\$2,040 00
685-000	Water Pumping Repair	\$913 28	\$913 28
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	TOTAL EXPENSES	\$172,426 23	\$646,221 24
		-----	-----
	TOTAL INCOME	\$161,580 01	\$734,768 56
	TOTAL INCOME LESS EXPENSES	-\$10,846 22	\$88,547 32

**Cannonsburg Water District
Income Statement
Reporting 5/1/2011 To 5/31/2011**

ACCOUNT	INCOME	Period Activity	End Balance
419-000	Interest & Dividend Income	\$36.31	\$256.61
461-100	Metered Sales to Residential	\$169,495.71	\$859,649.73
461-500	Bulk Water Sales	\$3.00	\$205.74
461-600	Fire Sprinkler	\$958.54	\$2,891.77
465-000	Adjustments Water	\$5,433.18	\$25,372.52
470-000	Water Penalties	\$1,729.62	\$9,145.81
471-000	Miscellaneous Service Revenue	\$6,760.67	\$12,773.41
471-200	Connect & Reconnect Charges	\$776.08	\$3,881.08
471-300	Investigation Charge	\$0.00	\$135.00
480-000	Contribution - Tap Fees	\$0.00	\$5,650.00
		-----	-----
	TOTAL INCOME	\$185,193.11	\$919,961.67
	 EXPENSES		
403-000	UNEMPLOYMENT TAX	\$0.00	\$82.50
408-120	Employer Tx Fica, Federal	\$2,159.74	\$12,177.04
420-000	Retirement Plan Expenses	\$5,229.12	\$23,578.62
427-300	Interest on Long Term Debt	\$1,425.50	\$7,127.50
603-000	Administrative Salaries	\$2,500.00	\$12,500.00
610-100	Ashland Purchased Water	\$98,107.24	\$408,117.88
610-200	Big Sandy Purchased Water	\$366.00	\$1,280.76
615-100	Electric Operation	\$4,070.11	\$17,527.43
615-200	Purchased Power Office & Shop	\$280.41	\$2,661.15
616-200	Cell Phones	\$555.86	\$2,681.03
616-300	Pagers & Radio & Monitoring	\$36.41	\$182.69
617-100	Gas - Operation	\$35.00	\$108.91
617-200	Gas Office & Shop	\$153.73	\$804.98
620-000	Materials and Supplies Operat	\$11,272.42	\$26,058.82
621-000	Office Wages	\$7,042.65	\$39,056.36
632-000	Contractural Ser Accounting	\$3,000.00	\$7,500.00
635-000	Contractural Ser Other	\$0.00	\$14,075.00
640-000	Operational Labor Salary	\$23,129.81	\$129,785.22
650-000	Transportation Expense	\$0.00	\$969.54
650-100	Auto Fuel Expense	\$2,314.86	\$10,402.53
650-200	Auto Parts, Labor, Repair	\$5.01	\$6,634.39
659-000	Insurance Health	\$21,693.05	\$63,867.33
659-100	Dental Insurance	\$656.91	\$3,284.55
659-200	Disability Insurance	\$0.00	\$2,579.38
675-000	Copier Lease Expense	\$323.96	\$1,019.34
675-500	Miscellaneous - General	\$1,534.07	\$13,400.80
675-600	Computer Expenses	\$670.87	\$670.87
676-100	Meters, Setters, Boxes, Lids	\$0.00	\$10,585.00
676-600	Miscellaneous Operating Expens	\$1,133.56	\$8,268.99
676-700	Backhoe Fuel	\$0.00	\$897.94
677-200	Postage Billing	\$1,451.18	\$4,528.88
678-000	Water Testing	\$0.00	\$2,040.00
685-000	Water Pumping Repair	\$115.00	\$1,028.28
		-----	-----
	TOTAL EXPENSES	\$189,262.47	\$835,483.71
		-----	-----
	TOTAL INCOME	\$185,193.11	\$919,961.67
	TOTAL INCOME LESS EXPENSES	-\$4,069.36	\$84,477.96

**Cannonsburg Water District
Income Statement
Reporting 6/1/2011 To 6/30/2011**

ACCOUNT	INCOME	Period Activity	End Balance
419-000	Interest & Dividend Income	\$31 77	\$288 38
461-100	Metered Sales to Residential	\$176,759 99	\$1,036,409.72
461-500	Bulk Water Sales	\$84 30	\$290 04
461-600	Fire Sprinkler	\$895 00	\$3,786 77
465-000	Adjustments Water	\$1,496 96	\$26,869 48
470-000	Water Penalties	\$2,096 29	\$11,242 10
471-000	Miscellaneous Service Revenue	\$1,025 92	\$13,799 33
471-200	Connect & Reconnect Charges	\$750 00	\$4,631 08
471-300	Investigation Charge	\$50 00	\$185 00
480-000	Contribution - Tap Fees	\$2,200 00	\$7,850 00
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	TOTAL INCOME	\$185,390 23	\$1,105,351 90
	EXPENSES		
403-000	UNEMPLOYMENT TAX	\$0 00	\$82 50
408-120	Employer Tx Fica, Federal	\$2,268 76	\$14,445 80
420-000	Retirement Plan Expenses	\$5,108 20	\$28,686 82
427-300	Interest on Long Term Debt	\$1,425 50	\$8,553 00
603-000	Administrative Salaries	\$2,500 00	\$15,000 00
610-100	Ashland Purchased Water	\$100,943 80	\$509,061 68
610-200	Big Sandy Purchased Water	\$332 08	\$1,612 84
615-100	Electric Operation	\$4,923 61	\$22,451 04
615-200	Purchased Power Office & Shop	\$419 99	\$3,081 14
616-200	Cell Phones	\$552 43	\$3,233 46
616-300	Pagers & Radio & Monitoring	\$36 41	\$219 10
617-100	Gas - Operation	\$31 82	\$140 73
617-200	Gas Office & Shop	\$86 83	\$891 81
620-000	Materials and Supplies Operat	\$2,240 04	\$28,298 86
621-000	Office Wages	\$7,104 00	\$46,160 36
632-000	Contractural Ser Accounting	\$0 00	\$7,500 00
635-000	Contractural Ser Other	\$160 00	\$14,235 00
640-000	Operational Labor Salary	\$23,518 30	\$153,303 52
650-000	Transportation Expense	\$294 49	\$1,264 03
650-100	Auto Fuel Expense	\$2,472 69	\$12,875 22
650-200	Auto Parts, Labor, Repair	\$4,484 93	\$11,119 32
657-000	Insurance General Liability	\$152 70	\$152 70
659-000	Insurance Health	\$17,359 47	\$81,226 80
659-100	Dental Insurance	\$0 00	\$3,284 55
659-200	Disability Insurance	\$676 72	\$3,256 10
675-000	Copier Lease Expense	\$0 00	\$1,019 34
675-500	Miscellaneous - General	\$3,821 77	\$17,222 57
675-600	Computer Expenses	\$75 00	\$745 87
676-100	Meters, Setters, Boxes, Lids	\$0 00	\$10,585 00
676-600	Miscellaneous Operating Expens	\$3,184 16	\$11,453 15
676-700	Backhoe Fuel	\$0 00	\$897 94
677-200	Postage Billing	\$785 74	\$5,314 62
678-000	Water Testing	\$0 00	\$2,040 00
685-000	Water Pumping Repair	\$225 00	\$1,253 28
		-----	-----
	TOTAL EXPENSES	\$185,184 44	\$1,020,668 15
	TOTAL INCOME	\$185,390 23	\$1,105,351 90
	TOTAL INCOME LESS EXPENSES	\$205 79	\$84,683 75

PROMISSORY NOTE

CWD EXHIBIT

2

Borrower: Cannonsburg Water District (TIN: 61-0729732)
1606 Cannonsburg Road
Ashland, KY 41102-8929

Lender: Town Square Bank, Inc.
9431 US Route 60
PO Box 2289
Ashland, KY 41105-2289
(606) 929-9700

COPY

Principal Amount: \$45,250.00

Date of Note: July 20, 2011

PROMISE TO PAY. Cannonsburg Water District ("Borrower") promises to pay to Town Square Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Forty-five Thousand Two Hundred Fifty & 00/100 Dollars (\$45,250.00), together with interest on the unpaid principal balance from July 20, 2011, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 6.880% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 36 payments of \$1,397.08 each payment. Borrower's first payment is due August 20, 2011, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on July 20, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$10.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Town Square Bank, Inc.; 9431 US Route 60; PO Box 2289; Ashland, KY 41105-2289.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$30.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**PROMISSORY NOTE
(Continued)**

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Boyd County, Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$20.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

PARTICIPATION. Borrower hereby authorizes Bank to share all information, including, without limitation, all credit and financial information, and all loan applications and information provided in connection therewith, pertaining or relating to Borrower, with Bank's parent company, with any subsidiary or affiliate of Bank or of Bank's parent company, with any actual or proposed participant in or assignee of all or any part of Bank's interest in or rights under this note, or with any other person or entity reasonably deemed incidental by Bank to the administration of the indebtedness evidenced hereby. Borrower expressly waives, releases and relinquishes any and all claims, demands and/or causes of action against Bank, Bank's parent company, their subsidiaries and affiliates, and all participants, successors and/or assigns arising from or pertaining in any way to any such disclosure of information.

TAX RETURNS. Borrower covenants and agrees with Lender that, so long as this accommodation remains in effect, Borrower will furnish lender with a copy of their Federal and or other governmental tax returns for the year ended as soon as available after the end of each fiscal year. Failure to do so may result in an increase of the variable interest rate on this note by 1.00% per annum.

ANNUAL STATEMENTS. Borrower covenants and agrees with Lender that, so long as this accommodation remains in effect, Borrower will furnish lender with a copy of their balance sheet and income statement for the year ended as soon as available after the end of each fiscal year. Failure to do so may result in an increase of the variable interest rate on this note by 1.00% per annum.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Town Square Bank, Inc., 9431 US Route 60, PO Box 2289, Ashland, KY 41105-2289.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

CANNONSBURG WATER DISTRICT

By: COPY
**DANNY R. CLARKSTON, Manager of Cannonsburg
Water District**

Monthly Water Use Report

Water Utility: Cannonsburg Water District

For the Month of: May

Year: 2011

LINE #	ITEM	GALLONS (Omit 000's)	%
1	WATER PRODUCED or PURCHASED		
2	Water Produced	0	0%
3	Water Purchased	41249800	100%
4	TOTAL PRODUCED AND PURCHASED	41249800	
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	WATER SOLD		
5	Residential	13930000	45%
6	Commercial	3922500	13%
7	Industrial, Churches, Schools, & Others	13184500	42%
8	Bulk Loading Stations		0%
9	Wholesale		0%
10	Other Sales (explain) _____		0%
11	TOTAL WATER SOLD	31037000	75%
12	TOTAL WATER NOT SOLD	10212800	25%
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	BREAKDOWN OF UNSOLD WATER USED		
13	Utility and/or Water Treatment Plant	25000	0%
14	Wastewater Plant	0	0%
15	System Flushing	0	0%
16	Fire Department	2000	0%
17	Other (explain) _____	0	0%
	TOTAL UNSOLD WATER USED	27000	0%
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	BREAKDOWN OF WATER LOST		
18	Tank Overflows	0	0%
19	Line Breaks	1375000	3%
20	Meter Loss @ 2% as per PSC	824996	2%
	TOTAL WATER LOST	2199996	5%

"OTHER LOSS" FLOW RATE CALCULATION:

21	"Other Loss"	824996
22	% "Other Loss"	2%
23	Number of Days in Period	
24	"Other Loss" per Day (1,000's gallons per Day)	#DIV/0!
25	"Other Loss" per Minute (GPM)	#DIV/0!



Monthly Water Use Report

Water Utility: Cannonsburg Water District

For the Month of: April

Year: 2011

LINE #	ITEM	GALLONS (Omit 000's)	%
1	WATER PRODUCED or PURCHASED		
2	Water Produced	0	0%
3	Water Purchased	47751100	100%
4	TOTAL PRODUCED AND PURCHASED	47751100	
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	WATER SOLD		
5	Residential	11669100	43%
6	Commercial	4690900	17%
7	Churches, Schools, Industrial, & Others	10573200	39%
8	Bulk Loading Stations	18075	0%
9	Wholesale	0	0%
10	Other Sales (explain) _____	0	0%
11	TOTAL WATER SOLD	26951275	56%
12	TOTAL WATER NOT SOLD	20799825	44%
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	BREAKDOWN OF UNSOLD WATER USED		
13	Utility and/or Water Treatment Plant	25000	0%
14	Wastewater Plant	0	0%
15	System Flushing	0	0%
16	Fire Department	14500	0%
17	Other (explain) _____	0	0%
	TOTAL UNSOLD WATER USED	39500	0%
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	BREAKDOWN OF WATER LOST		
18	Tank Overflows	0	0%
19	Line Breaks	200000	0%
20	Meter Loss @ 2% as per PSC	955022	2%
	TOTAL WATER LOST	1155022	2%

"OTHER LOSS" FLOW RATE CALCULATION:		
21	"Other Loss"	955022
22	% "Other Loss"	2%
23	Number of Days in Period	
24	"Other Loss" per Day (1,000's gallons per Day)	#DIV/0!
25	"Other Loss" per Minute (GPM)	#DIV/0!



Monthly Water Use Report

Water Utility: Cannonsburg Water District

For the Month of: March

Year: 2011

LINE #	ITEM	GALLONS (Omit 000's)	%
1	WATER PRODUCED or PURCHASED		
2	Water Produced		0%
3	Water Purchased	46427000	100%
4	TOTAL PRODUCED AND PURCHASED	46427000	
<hr/>			
	WATER SOLD		
5	Residential	10944800	35%
6	Commercial	3425600	11%
7	Church, School, Industrial, & Other	16719200	54%
8	Bulk Loading Stations	0	0%
9	Wholesale	0	0%
10	Other Sales (explain) _____		0%
11	TOTAL WATER SOLD	31089600	67%
12	TOTAL WATER NOT SOLD	15337400	33%
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	BREAKDOWN OF UNSOLD WATER USED		
13	Utility and/or Water Treatment Plant	25000	0%
14	Wastewater Plant	0	0%
15	System Flushing	0	0%
16	Fire Department	2000	0%
17	Other (explain) _____	0	0%
	TOTAL UNSOLD WATER USED	27000	0%
<hr/>			
	BREAKDOWN OF WATER LOST		
18	Tank Overflows	0	0%
19	Line Breaks	0	0%
20	Meter Loss @ 2 % as per PSC	928540	2%
	TOTAL WATER LOST	928540	2%

"OTHER LOSS" FLOW RATE CALCULATION:			
21	"Other Loss"	928540	
22	% "Other Loss"	2%	
23	Number of Days in Period		
24	"Other Loss" per Day (1,000's gallons per Day)	#DIV/0!	
25	"Other Loss" per Minute (GPM)	#DIV/0!	



Monthly Water Use Report

Water Utility: Cannonsburg Water District

For the Month of: February

Year:

2011

LINE #	ITEM	GALLONS (Omit 000's)	%
1	WATER PRODUCED or PURCHASED		
2	Water Produced	0	0%
3	Water Purchased	43280000	100%
4	TOTAL PRODUCED AND PURCHASED	43280000	
<hr/>			
	WATER SOLD		
5	Residential	12330200	37%
6	Commercial	3591900	11%
7	Churches, School, Industrial, & Other	17109000	52%
8	Bulk Loading Stations	3300	0%
9	Wholesale	0	0%
10	Other Sales (explain) _____	0	0%
11	TOTAL WATER SOLD	33034400	76%
12	TOTAL WATER NOT SOLD	10245600	24%
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	BREAKDOWN OF UNSOLD WATER USED		
13	Utility and/or Water Treatment Plant	25000	0%
14	Wastewater Plant	0	
15	System Flushing	0	0%
16	Fire Department	103000	0%
17	Other (explain) _____		0%
TOTAL UNSOLD WATER USED		128000	0%
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	BREAKDOWN OF WATER LOST		
18	Tank Overflows	0	0%
19	Line Breaks	110000	0%
20	Meter Loss @ 2% asper PSC	2164000	5%
TOTAL WATER LOST		2274000	5%

"OTHER LOSS" FLOW RATE CALCULATION:		
21	"Other Loss"	2164000
22	% "Other Loss"	5%
23	Number of Days in Period	
24	"Other Loss" per Day (1,000's gallons per Day)	#DIV/0!
25	"Other Loss" per Minute (GPM)	#DIV/0!

